LIMITED ANNUAL REPORT 1982

FRONT AND BACK COVERS

Two views of the lobby of La Brasserie O'Keefe Inc. at 990 rue Notre-Dame ouest, Montreal.

Built in 1930, the building typifies the architecture of the time, with the interior reflecting the bold outlines, imaginative colours and intricate workmanship of the art deco period.

The building is widely recognized as forming an important part of Canada's architectural heritage.

PAGE

CARLING O'KEEFE LIMITED

ANNUAL REPORT

1982

SUMMARY OF OPERATIONS

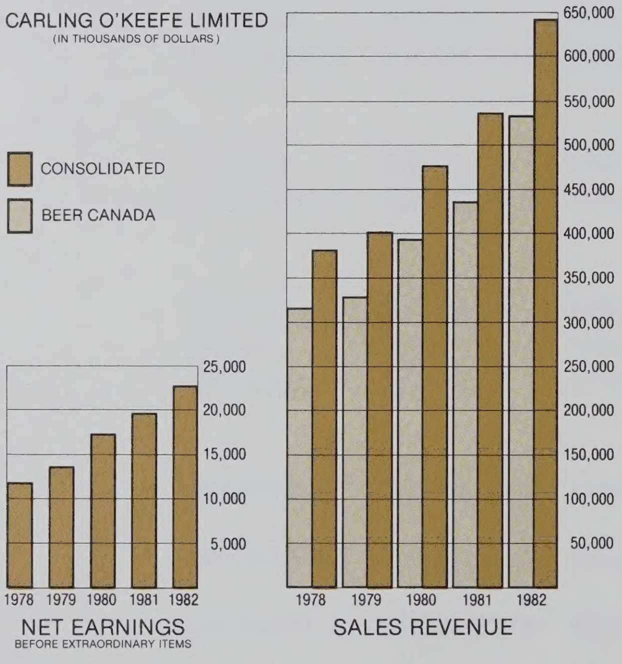
	1982	1981	1980
BEER			
Sales-hectolitres	5,265,000	4,991,000	5,178,000
Sales revenue	$583,281,000	$481,189,000	$432,546,000
WINE			
Sales-hectolitres	217,000	223,000	209,000
Sales revenue	$ 48,563,000	$ 44,021,000	$ 35,873,000
OIL AND GAS			
Sales–gas (10^3m^3)	139,000	139,000	141,000
–oil and other (m^3)	64,000	82,000	82,000
Sales revenue	$ 12,289,000	$ 12,138,000	$ 9,640,000
CONSOLIDATED			
Sales revenue	$644,133,000	$537,348,000	$478,059,000
Earnings before extraordinary item	$ 22,774,000	$ 19,785,000	$ 17,338,000
Earnings after extraordinary item	$ 22,774,000	$ 30,285,000	$ 17,338,000
Earnings per common share			
–before extraordinary item	95¢	82¢	70¢
–after extraordinary item	95¢	$1.30	70¢
Dividends per common share			
–regular	20¢	20¢	10¢
–special	7.5¢	–	–

Report to the Shareholders

The fiscal year which ended on March 31, 1982, was one of continued growth for Carling O'Keefe Limited, despite the adverse economic conditions prevailing in Canada and Ireland.

Consolidated earnings from operations before extraordinary item for the year were $22,774,000 or 95¢ per common share, compared to $19,785,000 or 82¢ per common share for the year ended March 31, 1981.

In 1981, an extraordinary gain of $10,500,000 was recorded on the sale of trade marks for southern Africa. Details of this transaction are reported on Page 10. Final earnings for 1981 after the extraordinary gain were $30,285,000 or $1.30 per common share.



Carling O'Keefe Breweries of Canada Limited had a satisfactory year, reporting increased sales volume, sales revenue and earnings. The increase in sales volume primarily reflected the industry work stoppages due to labour disputes in British Columbia and Alberta during the 1981 fiscal year. In the other provinces of Canada, industry sales volume was either unchanged or declined from the previous year, primarily as a result of poor economic conditions. The company's share of market declined slightly, reflecting the success of new brand launches by competitors particularly in Ontario and Quebec. However, share of market in the last quarter was higher than the average for the year, indicating that the company was regaining the share of market which had been lost earlier in the year. The increase in sales revenue reflected the higher volume and the selling price increases which were obtained during the year. Due to the timing of the selling price increases, margins improved and earnings per hectolitre exceeded the previous year.

Increasing share of market in British Columbia and Alberta has resulted in the company being unable to fully supply the market in these provinces during the important summer months. As a result, the company has undertaken a major programme to expand the production capacity of the breweries located in Vancouver, British Columbia and Calgary, Alberta. The expansion programme was originally scheduled for the 1982 fiscal period, but was delayed due to uncertainty in the market place after the lengthy industry work stoppages in 1981.

Future industry sales volume and the ability of the industry to obtain adequate price increases are difficult to forecast because of the current economic conditions in Canada. It is anticipated that any industry growth will be modest and that there will be increased competition in the brewing industry as each company attempts to maintain or increase sales volume. The company plans to continue its aggressive marketing programme, with particular emphasis on supporting growing brands in the major markets.

Jordan Valley Wines Limited continued to make progress during the year as sales revenue and earnings increased. Total sales volume declined slightly as a result of lower cider sales, which had been unusually high in 1981 due to

the brewery work stoppages. Wine sales volume for the year increased slightly. Although earnings increased, they were unsatisfactory relative to the Corporation's investment in the wine industry. The management of the wine company has been following a programme of actively supporting certain selected brands in the market place, while at the same time working to improve the quality of products through technological innovation in the production of wine and encouraging growers to produce the more desirable varieties of grapes through an expanded viticulture programme. This approach will continue and it is believed that Jordan will make progress, provided that government regulations and taxes are applied to the wine industry in a consistent and supportive fashion.

Star Oil & Gas Ltd. made little progress during the year, as much of the time was spent in re-examining and re-assessing its situation in view of changes in government programmes affecting the oil and gas industry in Canada. Sales of natural gas were virtually unchanged from last year, but oil sales were substantially lower reflecting the effect of the National Energy Program and the general decline in demand due to economic conditions and conservation. Earnings for the year declined reflecting the lower sales volume, increased costs and considerably higher production taxes.

The National Energy Program of the Government of Canada, which was introduced in October 1980, substantially changed the basis of taxation of the petroleum industry and resulted in a severe reduction in anticipated earnings and cash flow for Star. As a result, most of the exploration programme which Star had planned to carry out in Canada became uneconomic and was cancelled. The individual energy agreements which were signed by the producing provinces with the Government of Canada, starting with Alberta on September 1, 1981, helped to alleviate some of the problems, but they were not sufficient to justify an active exploration programme by Star. Alberta made additional concessions, increasing Alberta royalty tax credits retroactive to September 1, 1981 in programmes which were announced in October 1981 and April 1982. Because of the long delay in negotiating the agreements and in the announcement of the additional concessions, Star's expenditure on exploration and development for the year was reduced to approximately $6,900,000, the lowest level of spending in four years. Over 50% of this amount was spent in the United States, where economic conditions in the petroleum industry at the time made investment more attractive. Future activities in Canada will depend upon a re-evaluation of the current economics for each of the company's potential projects.

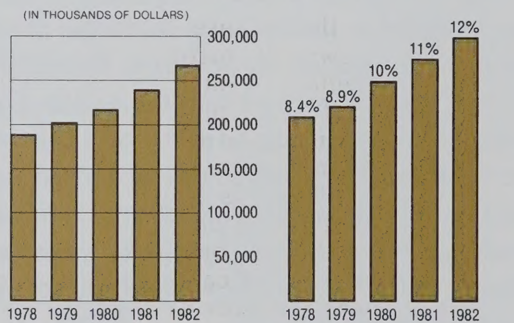
The prospect for increased earnings for Star Oil & Gas Ltd. will largely be determined by factors outside the control of management. The future selling prices for oil and gas in Canada are tied to world oil prices and at the present time there is considerable uncertainty as to the level and timing of increases. In addition, the surplus of productive capacity of natural gas in Canada makes it very difficult to put newly discovered gas reserves on production. It would appear that the only short term solution to this surplus would be the approval by the Government of Canada of additional exports of natural gas at competitive prices.

Beamish & Crawford Limited, the Irish brewing subsidiary, reported increased share of market, sales volume, sales revenue and earnings, despite the poor economic conditions in Ireland which resulted in a slight decline in the sales volume of the beer industry. Unfortunately, the improvement in earnings in Irish punts was lost on translation of the accounts to Canadian dollars due to the relative strength of the Canadian dollar. Despite continued economic problems in Ireland, the longer term outlook for the company is considered to be positive because of its strength in the lager market, which is the fastest growing segment of the industry.

The high rate of inflation in recent years has resulted in ever increasing amounts of cash being required by the Corporation to finance increased receivables and inventories which reflect higher selling prices and costs. In the near term, additional funds will also be required to finance the substantial increase in capital expenditures necessary to expand production capacity in the Canadian brewing operations. Fortunately, in this period of poor economic conditions and high interest rates, the Corporation has a strong financial position. This will enable the Corporation to borrow the funds required to continue its operations.

During the year, the Corporation paid regular quarterly dividends of 5¢ per common share. In addition, a special dividend of 7.5¢ per common share was paid on October 1, 1981 in recognition of the income generated by the sale of the trade marks.

CARLING O'KEEFE LIMITED
CONSOLIDATED



AVERAGE CAPITAL EMPLOYED

RETURN ON AVERAGE CAPITAL EMPLOYED

OUTLOOK

The current economic conditions make it difficult to accurately forecast the future of the Corporation. The combination of high levels of inflation, high interest rates and high unemployment leads inevitably to a reduction in consumers' disposable income. Although historically the impact of poor economic conditions on the alcoholic beverage industry has been less than on other consumer businesses, it is likely that industry sales growth, if any, will be modest and there will be a continuation of the intense competitive pressure of recent years. However, management believes that growth in sales volume and market share in the brewing and wine operations can be achieved and that improvements in earnings will result if adequate price increases can be obtained. It is more difficult to forecast any significant improvement in the earnings of the oil and gas subsidiary, unless the various levels of government take steps to improve the industry's cash flow and increase sales of natural gas and oil.

APPRECIATION

On behalf of the Board of Directors, we would like to thank our Shareholders, our employees, our customers and our suppliers for their efforts and support during the past year. Without these groups, the progress which has been made by the Corporation would not have been possible.

May 20, 1982

Alastair Gillespie
Chairman of the Board

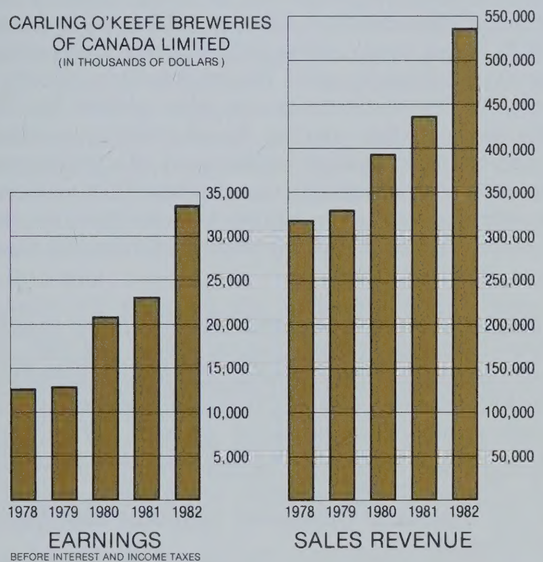
S. R. McInnes
President and Chief Executive Officer

Review of Operations

BREWING OPERATIONS–CANADA

Financial Years Ended March 31	1982	1981	1980
Sales–hectolitres	5,012,000	4,756,000	4,940,000
Sales revenue	$535,329,000	$435,721,000	$393,281,000
Earnings before interest and income taxes	$ 33,458,000	$ 23,078,000	$ 20,834,000
Earnings per hectolitre	$6.68	$4.85	$4.22

Sales volume of the brewing industry in Canada increased by 5.4% over the previous year. The growth was almost entirely the result of the recovery from the effects of work stoppages due to labour disputes, which closed the brewing industry in Alberta for approximately seven months and in British Columbia for approximately two months during the previous fiscal year. In the other provinces, industry sales were either unchanged or declined.



The company's sales volume in Canada increased by 4.6%, reflecting a marginal decline in share of market from the prior year. This statistic is distorted by the effects of the work stoppages, as significant improvements were achieved in many areas. A temporary setback caused by extreme competitive pressure in Quebec was reversed and O'Keefe Ale maintained its position as the largest selling brand in that province. A new brand, O'Keefe Light, was launched in Quebec in March 1982 to improve representation in the expanding market for light beers.

Similar competitive pressure in Ontario and Saskatchewan caused further erosion of market share in those provinces. However, this was partially offset by gains in Newfoundland, Manitoba, Alberta and British Columbia. Carlsberg was successfully launched in Newfoundland in May 1981 and was followed in March 1982 by Carlsberg Light.

Increases in costs of raw materials, labour and overhead expenses were generally in line with prevailing rates of inflation through the year. A number of projects designed to reduce production and overhead costs were completed and the resulting savings were reflected in improved earnings.

Marketing spending continued to increase, reflecting the competitiveness of the brewing industry. As reported last year, the company was successful in obtaining the television broadcast rights to all Canadian Football League and Montreal Expos' games for three years and five years respectively. It was not possible to take full advantage of these important promotional vehicles during the year, due to prolonged labour disputes affecting Canadian Broadcasting Corporation technicians and major league baseball players.

In addition to the intense competition among brewers, the brewing industry is also faced with increased competition from other alcoholic beverages. The level of taxation of beer is a matter of concern, as it has increased at a rate higher than that affecting wines and spirits. Representations have been made to both levels of government in this connection and efforts to protect the industry will continue. There is also concern that the upward pressure on retail prices caused by the automatic indexing of federal and provincial production taxes will have an adverse effect on sales volume.

The company's National Hockey League team, the Quebec Nordiques, had a very satisfactory season. The expanded Colisée in Quebec City was available for the entire season and capacity crowds were attracted to most games, resulting in a significant improvement in operating results. In addition, the popularity of the team with the Quebec consumer has enhanced its promotional value in this important beer market.

The operating results of the company's Canadian Football League team, the Toronto Argonauts, were disappointing due to poor performance on the field, which resulted in lower attendance. Organizational changes have been made and management is optimistic that the results for the coming season will show an improvement.

There were a number of changes to the company's operating facilities during the year. A significant expansion of the bottling capacity of the Winnipeg plant was started and will be completed during the

1983 fiscal year. The St. John's plant was also expanded to keep pace with a steadily increasing share of the Newfoundland market. Major expansions of the Calgary and Vancouver breweries were started during the latter part of the year in order to meet present and projected sales demands. These projects will be completed in stages over the next few years.

The company's labour contracts in Ontario and Quebec expire on December 31, 1982. Contracts covering the other plants expire at various dates in the spring of 1983. The company is optimistic that it will be able to renegotiate these contracts without disruption to its operations.

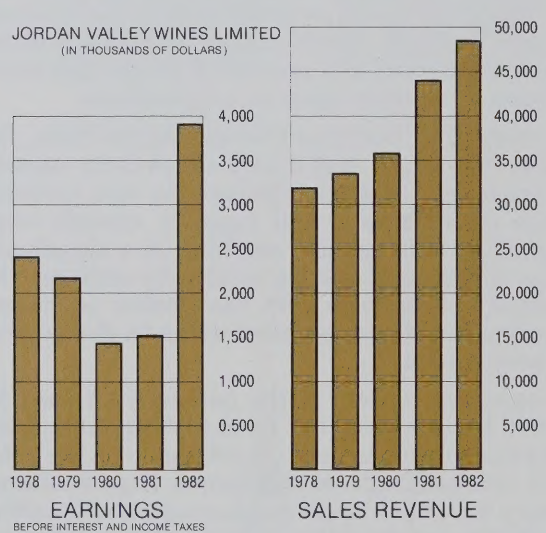
WINE OPERATIONS

Financial Years Ended March 31	1982	1981	1980
Sales–hectolitres	217,000	223,000	209,000
Sales revenue	$48,563,000	$44,021,000	$35,873,000
Earnings before interest and income taxes	$ 3,949,000	$ 1,512,000*	$ 1,434,000*
Earnings per hectolitre	$18.20	$7.29	$7.06

*Carling O'Keefe Limited 91.9% share.

Jordan Valley Wines Limited continued to make progress during the year and reported increased sales revenue and earnings compared to the prior year, although there was a modest decline in sales volume.

The total wine market in Canada continued its growth trend, increasing by approximately 5%. Table wines continued to be the fastest growing category, with white table wines accounting for most of the growth. Sales of fortified wines showed some recovery from last year's depressed levels, which were caused by the imposition and subsequent removal of excessive excise taxes. Although the share of market held by Canadian wines remains at approximately 49%, the imported wine segment continues to put significant pressure on the industry with low priced products originating from agriculturally based co-operative shippers in Europe.



Total sales volume of Jordan Valley Wines Limited declined by 2.7% from last year. The decline was in cider sales, which were unusually high last year as a result of the brewing industry work stoppages in British Columbia and Alberta. Wine sales volume increased slightly from last year, as company sales in Ontario increased by 11.8% and reached their highest share of this market in recent years. This increase was offset, however, by lower sales volume in British Columbia and Alberta, where sales during the 1981 fiscal year had benefited from the brewing industry work stoppages. The company's winery in Surrey, British Columbia, was also closed for five weeks early in the current fiscal year by a labour dispute. Sales in Saskatchewan and Manitoba were lower as, co-incident with the closing of the wineries in these provinces, a brand rationalization programme was implemented which eliminated many low profit products.

All major advertised brands showed sales volume improvement over last year's levels. Within the important table wine segment, the major advertised brands of Toscano, Maria Christina, Falkenberg and Grande Cuvée showed solid growth. Within the second largest segment of the market, sparkling wine, the company is well positioned with the growing brands of Spumante Bambino and Prince de Mousseux.

Sales revenue increased as a result of price increases which were necessary to recover higher costs of raw materials, employee compensation, selling, distribution, manufacturing overheads and new indexed excise taxes.

The company's labour agreements for the Calgary winery expire December 31, 1982, for the St. Catharines winery March 31, 1983, and for the Surrey winery December 31, 1983. It is anticipated that there will be no labour disruptions in the current fiscal year.

The company purchased 42 acres of land in the Niagara Peninsula for use as an experimental vineyard as part of the company's viticulture programme to improve the quality of its products. During the year the company sold two former wineries located at Jordan, Ontario, and Selkirk, Manitoba.

OIL AND GAS OPERATIONS

Financial Years Ended March 31	1982	1981	1980
Sales–gas (10^3 m^3)	139,000	139,000	141,000
–oil and other (m^3)	64,000	82,000	82,000
Sales revenue	$12,289,000	$12,138,000	$9,640,000
Earnings before interest and income taxes	$ 3,907,000	$ 5,729,000	$4,720,000

The past year has been one of considerable uncertainty for the Canadian petroleum industry. The National Energy Program (NEP) introduced by the Government of Canada on October 28, 1980 unilaterally established new selling prices and imposed new taxes on the production of oil and natural gas. As a result, there was insufficient financial incentive for continued exploration for new oil and natural gas reserves. The new taxes reduced the industry's cash flow by up to 35% and most companies reduced their exploration programmes substantially.

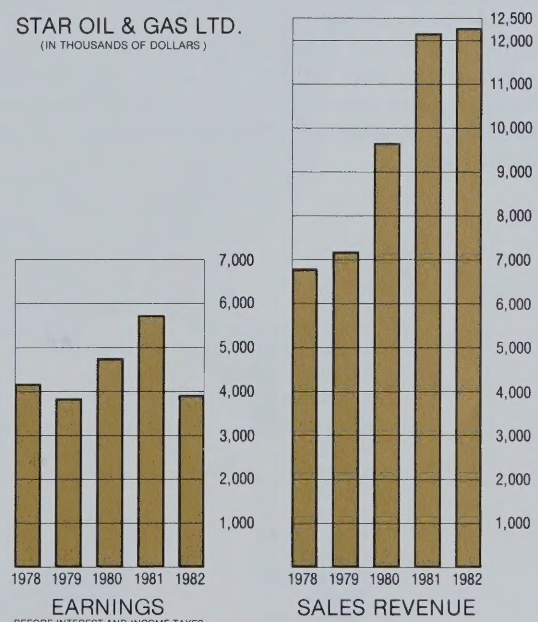
On September 1, 1981, the Governments of Canada and Alberta signed an energy agreement and shortly thereafter the Governments of British Columbia and Saskatchewan signed similar agreements with the Government of Canada. These agreements established a new pricing schedule for oil and natural gas and created a category of new oil which would be priced at world levels. The petroleum and gas revenue tax, which is non-deductible in the calculation of federal income tax, was increased from 8% to an effective rate of 12% of gross sales revenue less production costs, and a new tax called the incremental oil revenue tax was imposed. These new energy agreements resulted in a slight increase in cash flow from that expected under the NEP, but activity by the industry continued to decline due to the marginal economic return. In October 1981, as a result of the decline in activity by the industry, the Government of Alberta increased its royalty tax credit from 25% of royalties paid to a maximum of $1,000,000 per year to 50% of royalties paid to a maximum of $2,000,000 per year, effective September 1, 1981. In January 1982, the Government of Alberta modified its royalties on new oil and, in April 1982, announced a further increase in the royalty tax credit to 75% of royalties paid to a maximum of $4,000,000 per year effective September 1, 1981 to December 31, 1983, and also reduced the rate of royalties payable on existing production with particular emphasis on old oil and gas. The increase in the royalty tax credit results in a significant increase in cash flow to small companies such as Star.

The Governments of British Columbia and Saskatchewan reduced royalties slightly. However, there is no incentive to develop additional production in these provinces due to the lack of markets for new gas and the minimum return on new oil.

The cash flow problems of the industry are further compounded by the lack of markets for natural gas. Canada has a large and growing surplus of natural gas reserves and production. The only market for significant additional sales of natural gas is the United States. However, the price established by the Government of Canada for natural gas exported to the United States is substantially higher than the United States' domestic price and exports of Canadian gas have declined for the past two years. Demand for domestic crude oil has also declined during the past year due to the economic recession, conservation measures and the large quantity of imported oil.

As a result of the NEP and the energy agreements, the high provincial royalty rates and the lack of markets for natural gas, the only activity in Canada which offers a reasonable return on investment to Star is the exploration for and development of new oil in Alberta.

In response to the uncertainty during the year, Star reduced its capital spending in Canada by 60% compared to last year. A modest development programme was carried out, which increased gas reserves and production in the Heart Lake, Opal Redwater and Hoadley areas of Alberta and oil reserves in the Pembina area of Alberta and Crystal Hill area of Saskatchewan.



During the year, Star was able to maintain gas production at the same volume as the previous year by placing three new areas on production and by improving production from existing areas as a result of additional drilling. In Alberta, the company has

61% of its natural gas reserves on production. The majority of the remaining reserves are under contract to various purchasers and should be on production by the end of 1983, if additional exports are approved by the Government of Canada. In Saskatchewan, the provincial government is the only purchaser of natural gas and does not permit any gas exports. As a result, the company has only 20% of its gas reserves on production. In British Columbia, 65% of the company's gas reserves are on production. The level of future gas sales will depend on demand, particularly for export to the United States.

Oil production declined due to lower demand for Canadian crude and reduced production due to producers' cutbacks in Saskatchewan as a result of the marginal economics of producing old oil. During the current year, Star plans a modest programme of drilling for new oil in Alberta and will place two gas projects on production.

In the United States, Star increased capital expenditures significantly. Gas production was established in Oklahoma and West Virginia and oil production in Oklahoma and North Dakota. Additional development drilling will be carried out in two of these areas during the current year. The company plans to maintain its current programme of land acquisition and drilling.

Sales revenue was slightly higher than last year as a result of increased selling prices for all products. Earnings before interest and tax declined significantly, reflecting increased production, depletion and administrative costs, which more than exceeded the small increase in net sales revenue. The petroleum and gas revenue tax included in production costs amounted to $1,174,000 compared to $345,000 last year, when it was in effect for only three months.

DRILLING ACTIVITY

	1982			1981		
	Working Interest Wells			Working Interest Wells		
	Total	Star Share	Royalty Interest Wells*	Total	Star Share	Royalty Interest Wells*
CANADA						
Gas	14	2.01	9	18	5.33	13
Oil	3	0.75	2	7	4.74	5
Dual zone oil and gas	–	–	–	–	–	3
Dry and abandoned	–	–	9	6	1.90	29
	17	2.76	20	31	11.97	50
Suffield, Alberta						
Gas	–	–	–	1	0.03	–
Oil	–	–	–	4	0.10	–
Dual zone oil and gas	–	–	–	–	–	–
Dry and abandoned	–	–	–	23	0.57	–
	–	–	–	28	0.70	–
UNITED STATES						
Gas	11	1.42	–	4	0.56	–
Oil	5	1.14	–	2	0.38	–
Dual zone oil and gas	–	–	–	1	0.10	–
Dry and abandoned	12	1.92	–	2	0.25	–
	28	4.48	–	9	1.29	–

*Drilled at no cost to Star under agreements with other companies.

Additional seismic work was carried out during the year on the permits in Australia in which Star has an interest. The operator was unsuccessful in contracting for a drillship to drill the deep water Tantabiddi structure located on Permit WA-102-P. An alternative location in shallower water has been selected and the operator has contracted for a rig to drill this location. Star reduced its interest in Permit WA-102-P from 14% to 7% because of the high cost and the high risk of drilling the well. On Permit WA-110-P, a location has been selected and the operator is negotiating for a drillship. Star has a 14% interest in this permit and has reached agreement with a third party who will pay 50% of Star's share of the drilling costs in return for 25% of the company's interest in the permit.

During the year, Star reduced its unproved land in Canada by 6,135 gross hectares and acquired an interest in 18,420 gross hectares of potential oil and gas lands in the United States. As of March 31, 1982, Star held an interest in gross and net hectares of land as follows:

	PRODUCING			NON-PRODUCING		
	Gross	Net	Royalty*	Gross	Net	Royalty*
CANADA						
Alberta	41,554	12,773	16,320	181,396	45,723	1,385
British Columbia	2,447	836	1,287	41,428	11,588	268
Saskatchewan	32,360	10,411	32	31,949	17,948	–
Eastcoast Offshore	–	–	–	–	–	74,260
Total Canada	76,361	24,020	17,639	254,773	75,259	75,913
UNITED STATES						
Alaska	2,048	27	–	–	–	–
Colorado	–	–	–	97	24	–
Kansas	259	24	–	10,443	898	–
Montana	259	16	–	3,228	2,799	–
North Dakota	65	14	–	1,698	390	–
Oklahoma	1,982	243	–	1,389	307	–
Pennsylvania	299	30	–	–	–	–
Texas	1,145	151	–	4,364	1,163	–
West Virginia	320	51	–	–	–	–
Wyoming	–	–	–	13,355	3,109	–
Total United States	6,377	556	–	34,574	8,690	–
AUSTRALIA OFFSHORE	–	–	–	2,035,784	156,259	–
TOTAL	82,738	24,576	17,639	2,325,131	240,208	75,913

*The company is paid a royalty of from 3% to 15% of production income from producing wells drilled by other companies at no cost to Star.

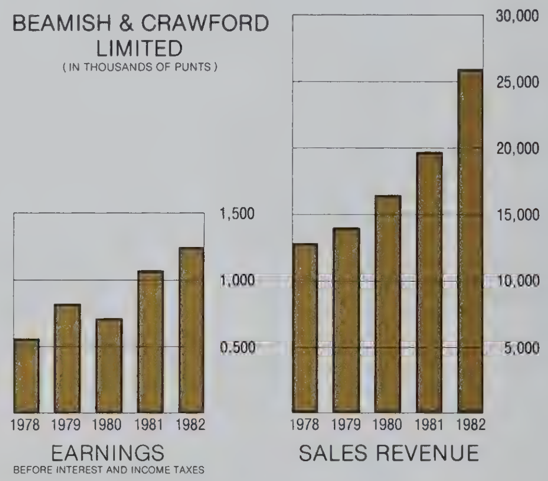

STAR OIL & GAS LTD.
MAIN PRODUCTION AREAS
OIL PRODUCTION
NATURAL GAS PRODUCTION
SEDIMENTARY AREA
PRECAMBRIAN AND
GRANITE INTRUSIVE ROCKS
PACIFIC OCEAN
ATLANTIC OCEAN
GULF OF MEXICO
B.C.
ALBERTA
SASK.
EDMONTON
CALGARY
MONTANA
NORTH DAKOTA
DENVER
KANSAS
TULSA
OKLAHOMA
DALLAS
TEXAS
HOUSTON
PENN.
W VIRGINIA

BREWING OPERATIONS–IRELAND

Financial Years Ended March 31	1982	1981	1980
Sales–hectolitres	253,000	235,000	238,000
Sales revenue	$47,952,000	$45,468,000	$39,265,000
Earnings before interest, foreign exchange and income taxes	$ 2,094,000	$ 2,460,000	$ 2,072,000
Foreign exchange loss	$ 1,432,000	$ 1,207,000	$ 412,000
Earnings before interest and income taxes	$ 662,000	$ 1,253,000	$ 1,660,000
Earnings per hectolitre	$2.62	$5.33	$6.97

Beamish & Crawford Limited had a good year, reporting increased sales volume, sales revenue and earnings in Irish punts. Industry sales volume was relatively unchanged from the prior period as a result of poor economic conditions throughout the year. The company's sales volume showed considerable growth during the period and increased by approximately 8%, reflecting an increase in share of market. This increase in sales volume was due to the company's strength in the lager segment of the market, where it is well represented by Carling Black Label and Carlsberg. Marketing support was maintained behind all products and was a factor in the increased sales volume. During the year there were two increases in excise duty which, together with the one increase in selling price approved for the brewing industry, resulted in a significant increase in the final selling price of the product.

The Canadian dollar continued to strengthen during the year relative to the value of the Irish punt, and earnings in Canadian dollars declined from last year. In addition, there was a significant exchange loss on translation of the financial statements to Canadian dollars.



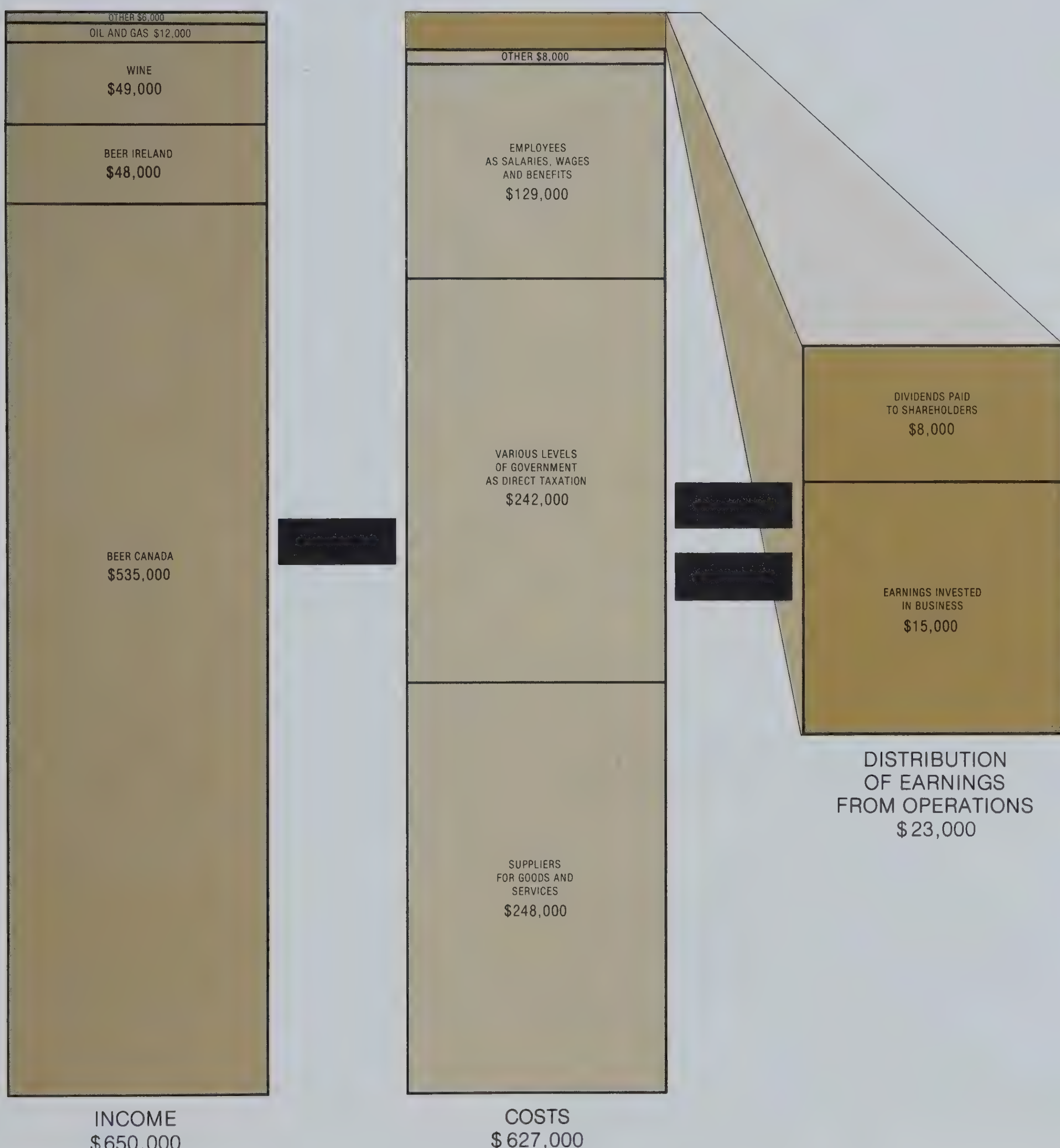
INTERNATIONAL DIVISION

Royalty income from the sale of Carling Black Label in overseas markets, where it is produced under license, was $1,470,000 compared to $1,738,000 the previous year. The decline was due to unfavourable exchange factors on conversion of the pound sterling to Canadian dollars and a final adjustment of royalties related to sales in southern Africa, which had been received the previous year. The favourable effect of higher royalty rates, reflecting higher selling prices, was partially offset by lower sales volume due to the generally poor economic conditions.

In the fall of 1979, a reorganization occurred in the alcoholic beverage industry in southern Africa which resulted in a virtual monopoly in the brewing industry. After reviewing the situation, the Directors concluded that a sale of the Carling Black Label and Red Cap trade marks for this area was in the best interest of the Corporation and its Shareholders, and in July 1980 it was announced that the Corporation had finalized a sale agreement for the trade marks effective March 31, 1980. The trade mark rights for these brands in certain countries in southern Africa, primarily for the Republic of South Africa, were sold to Southern Investments NV. The rights for certain other countries in southern Africa, primarily Zimbabwe, were sold to Linser NV. Both of these sales were arms length transactions. Total consideration amounted to Rand 14,500,000, which is being received over a four year period in United States dollars, subject to reduction should certain objectives not be achieved. As security for the receipt of these amounts, irrevocable letters of credit for the total amount were received from the North Carolina National Bank. The sale resulted in an extraordinary gain of $10,500,000, details of which are set out in Note 2 to the consolidated financial statements.

CARLING O'KEEFE LIMITED
SUMMARY OF OPERATIONS

(IN THOUSANDS OF DOLLARS)



RESPONSIBILITIES FOR FINANCIAL STATEMENTS

MANAGEMENT

Management is responsible for the preparation of the consolidated financial statements of Carling O'Keefe Limited and for their integrity and objectivity. The statements have been prepared in accordance with generally accepted Canadian accounting principles, which conform in all material respects with international standards, and which have been applied on a consistent basis. The significant accounting policies followed are described in Note 1 to the financial statements.

Management is further responsible for maintaining a system of internal accounting controls, designed to provide reasonable assurance that the books and records reflect the transactions of the Corporation and that its established policies and procedures are carefully followed. The system is continually reviewed for its effectiveness and is augmented by written policies and guidelines, the careful selection and training of qualified personnel, and a programme of internal audit.

EXTERNAL AUDITORS

Price Waterhouse are appointed by the Shareholders as independent auditors to examine the financial statements of Carling O'Keefe Limited and its subsidiaries and issue reports thereon. Their examinations are conducted in accordance with generally accepted auditing standards and include a review of internal accounting controls and tests of transactions. The Auditors' Report appears on Page 23.

AUDIT COMMITTEE

The Board of Directors, through the Audit Committee of the Board, reviews with Price Waterhouse the scope of their audit and the accounting principles to be applied in financial reporting and is responsible for assuring that management fulfills its responsibilities in the preparation of the financial statements. The Audit Committee, which is composed entirely of non-employee Directors, meets regularly with the independent auditors, representatives of management and the internal auditors to review the activities of each and to ensure that each is properly discharging its responsibilities. To ensure complete independence, Price Waterhouse have full and free access to meet separately with the Audit Committee to discuss the results of their examinations and their opinions on the adequacy of internal accounting controls and the quality of financial reporting.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

The following analysis and explanatory comments relating to the operations of the Corporation should be read in conjunction with the consolidated financial statements, financial summaries and financial information on operations by segment which are provided elsewhere in this report.

RESULTS OF OPERATIONS

Consolidated earnings from operations increased during the fiscal year ended March 31, 1982, following a year when the results were adversely affected by work stoppages in the Canadian brewing subsidiary, due to industry labour problems. As shown on Page 25, the Canadian brewing subsidiary was the Corporation's principal business segment, and in 1982 contributed 83% of consolidated sales revenue and 80% of operating earnings before interest and income taxes. The level of contribution of the Canadian brewing operations to consolidated sales revenue has remained fairly constant over the three year period, however, the operating earnings contribution has increased from 73%. A steady increase in the consolidated return on average capital employed has been achieved during the period.

INCOME

Consolidated sales revenue increased by \$106,785,000 or 19.9% in 1982, compared to an increase of \$59,289,000 or 12.4% in 1981 and \$76,786,000 or 19.1% in 1980. Higher selling prices during the period accounted for the major portion of the increased sales revenue. Increased per unit selling prices were required to cover increased production and sales taxes

and higher production costs. Sales volume was affected by industry work stoppages which occurred in the brewing operations in British Columbia and Alberta in 1981 and 1979, and in Manitoba in 1979. Consequently, increases in sales revenue and volume were unusually high in both 1982 and 1980.

Investment and other income reflected the amount of the discount on the receivable from the sale of trade marks taken into income in 1982 and 1981.

COSTS

Costs increased in all segments of the business, reflecting the general rise in cost of materials purchased and employee compensation.

Production and sales taxes increased by $42,995,000 or 24.1% in 1982, compared to increases of 16.6% and 17.7% in 1981 and 1980 respectively. The increases reflected new taxes, increased rates of taxation and higher selling prices and volume.

Raw materials and manufacturing costs increased by $30,350,000 or 17.2% in 1982, compared to increases of $15,498,000 or 9.6% in 1981 and $25,090,000 or 18.5% in 1980. Costs in 1982 reflected increased volume and higher unit costs for malt and packaging materials, as well as increased employee compensation, repairs and maintenance and energy costs. In 1981 and 1980, unit cost increases related primarily to higher costs for brewing and packaging materials and employee compensation.

Marketing and distribution costs increased by $19,695,000 or 15.1% during the year, compared to increases of 11.8% and 16.9% in 1981 and 1980 respectively. The increased marketing costs reflected higher unit costs of advertising production and broadcasting, as well as increased competition in the brewing industry for specific marketing vehicles, particularly those related to sports activities. In 1982, the new contract costs related to television sponsorship of the Montreal Expos' baseball games and the Canadian Football League games were included for the first time. Increased distribution costs were primarily related to increased employee compensation costs and energy costs during the period.

Administrative and general costs increased by $3,384,000 or 14.1% during 1982, compared to an increase of 5.8% in 1981 and 21.4% in 1980. All administrative costs have been subject to increases in line with the general rate of inflation. Costs in 1980 were high as a result of a provision for the Regina brewery closure costs and the write-off of goodwill related to Chalet Wines.

Interest costs have increased during the period, reflecting additional short term borrowings and higher interest rates. Foreign exchange costs during the period reflected the increase in the value of the Canadian dollar relative to the Irish punt on the translation of the financial statements of Beamish & Crawford Limited, and, in 1982, included a cost related to the translation of the Rand receivable from the sale of trade marks.

In 1981, a gain of $10,500,000 on the sale of certain trade marks for southern Africa was recorded as an extraordinary item. In determining the gain on the sale, an imputed interest rate of 20% was applied to the estimated receivable, which is being received over a four year period. The resulting discount is being included in investment and other income over the period as earned.

It should be noted that results of operations from one quarter to the next are not comparable and are not an indication of annual results, due to the seasonal nature of the alcoholic beverage industry, which traditionally has greater sales and earnings in the summer months.

FINANCIAL POSITION

WORKING CAPITAL AND DEBT

Consolidated working capital at March 31, 1982 was $50,636,000, an increase of $10,853,000 during the year, reflecting increased quantities and costs of inventory and increased accounts receivable resulting from higher sales volume and selling prices. An increase of $348,000 and a decrease of $1,032,000 had been recorded in 1981 and 1980 respectively. The current ratio at March 31, 1982 was 1.6:1, the same as at March 31, 1980 and a slight improvement on March 31, 1981.

A comparative consolidated statement of changes in financial position appears on Page 17.

Working capital from operations during the three year period was primarily utilized in the acquisition of property, plant and equipment.

Capital expenditures for the current year were $25,118,000, compared to $26,487,000 in 1981 and $25,391,000 in 1980. The major capital expenditures during the period were in the Canadian brewing operations, with expenditures at the breweries in Montreal, Quebec; Saskatoon, Saskatchewan; Winnipeg, Manitoba, and St. John's, Newfoundland. Expenditures on oil and gas, which had been more significant in previous years, declined in 1982 and 1981 as a result of the National Energy Program of the Government of Canada, which reduced the profitability and cash flow of the oil

and gas operations. Details of capital expenditures by business segment are provided on Page 25.

The Corporation has projected consolidated capital expenditures for the 1983 fiscal year at approximately $55,000,000. The major increase from the level of capital spending in 1982 will relate to the anticipated need for expansion and renewal of the breweries located in Vancouver, British Columbia, and Calgary, Alberta. The initial phases of these projects commenced in 1982. These projects will be monitored closely to limit expenditures to the minimum requirements wherever possible. The 1983 capital programme is expected to be financed primarily out of working capital from operations.

During the three year period, the Corporation purchased the minority interest in Jordan Valley Wines Limited and the National Hockey League franchise for Quebec City.

The Corporation reduced its long term debt by meeting its obligations under the terms of the debenture covenants and the term loan agreement. Dividends were paid on the preference shares in accordance with their terms, and dividends on common shares were reinstated commencing January 1, 1979 at the rate of 2.5¢ per common share per quarter and were increased on July 1, 1980 to the present level of 5¢ per quarter. A special dividend of 7.5¢ per common share was paid on October 1, 1981, in addition to the regular quarterly dividend.

LIQUIDITY

The Corporation's cash requirements have exceeded the funds generated from operations, due to the level of capital expenditures and the increases in accounts receivable and inventories over the period. Accounts receivable have increased primarily due to higher selling prices, and inventories have increased due to higher unit costs for materials and labour. Accounts payable and accrued liabilities have increased over the period due to increased unit costs for materials and vacation pay accruals. In 1981, accounts payable and accrued liabilities included the accrual for the purchase of the minority interest in Jordan Valley Wines Limited and higher amounts related to oil and gas drilling activities.

Operating lines of credit have been arranged which are considered to be adequate to meet the anticipated working capital requirements of the Corporation and each of its subsidiaries for the coming year. While it is not the intention of the Corporation at the present time to issue additional long term debt, this would be possible under the terms of the trust indenture of the existing sinking fund debentures.

The continued reduction in long term debt during the year has reduced the long term debt to only 5% of total shareholders' equity, compared to 7% in 1981 and 10% in 1980. This indicates that there is ample room for increasing long term debt for the financing of an acquisition or capital expenditures or if interest rates are such that the issuing of long term debt is considered desirable.

The Corporation's cash flow during a year follows the seasonality of the brewing operations which have higher sales in the summer months and in the December holiday season. During the winter period, maintenance programmes and expansion projects are carried out to coincide with reduced brewing activities. In addition, there is a cash flow fluctuation within each month, due to the timing of receipts and payments, which gives a relatively favourable cash position at each month end.

IMPACT OF INFLATION

The Corporation's operations are affected by inflation, particularly when replacing assets used in the normal course of business. The Corporation's production facilities were acquired over a number of years and any adjustment to reflect constant dollar and current cost information would result in a significant increase in the net values of property, plant and equipment and a corresponding increase in the depreciation charge for the year. Inventories and cost of products sold would also increase if current costs were used.

The Canadian Institute of Chartered Accountants (C.I.C.A.) exposure draft re-issued in December 1981 proposed that supplementary information be presented in the financial statements detailing the inflationary effect on the cost of a corporation's operations. These proposals are more consistent with the disclosure requirements set forth by the United States Financial Accounting Standards Board and the Institute of Chartered Accountants in England and Wales.

The C.I.C.A. is currently analyzing the response to its exposure draft before finalizing its presentation on current cost accounting. In view of the uncertainty of the final C.I.C.A. position and the fact that the Corporation is exempt from the Securities and Exchange Commission disclosure requirements regarding Financial Reporting and Changing Prices, the Corporation is continuing to review its alternatives in order to determine the most informative basis of presentation.

CARLING O'KEEFE LIMITED

(INCORPORATED UNDER THE LAWS OF ONTARIO)

CONSOLIDATED STATEMENT OF EARNINGS

(IN THOUSANDS OF DOLLARS)

	YEAR ENDED MARCH 31		
	1982	1981	1980
INCOME			
Sales revenue	$644,133	$537,348	$478,059
Investment and other income	6,251	7,566	6,579
	650,384	544,914	484,638
COSTS			
Production and sales taxes	221,154	178,159	152,827
Raw materials and manufacturing	206,399	176,049	160,551
Marketing and distribution	149,753	130,058	116,314
Administrative and general	27,332	23,948	22,635
Interest on long term debt	1,684	1,694	1,827
Other interest	2,558	1,404	812
Foreign exchange	3,770	1,068	412
Minority interest	–	113	41
	612,650	512,493	455,419
EARNINGS BEFORE INCOME TAXES	37,734	32,421	29,219
Income taxes (Note 9)			
Current	8,385	7,671	9,057
Deferred	6,575	4,965	2,824
	14,960	12,636	11,881
EARNINGS FROM OPERATIONS BEFORE EXTRAORDINARY ITEM	22,774	19,785	17,338
Extraordinary item			
Gain on sale of trade marks $13,300 less income taxes $2,800 (Note 2)	–	10,500	–
EARNINGS FOR THE YEAR	$ 22,774	$ 30,285	$ 17,338
EARNINGS PER COMMON SHARE FOR THE YEAR			
Preference share dividends	$ (2,046)	$ (2,062)	$ (2,077)
Earnings for the year applicable to 21,762,295 common shares outstanding	$ 20,728	$ 28,223	$ 15,261
Before extraordinary item	95¢	82¢	70¢
After extraordinary item	95¢	$1.30	70¢

CARLING O'KEEFE LIMITED

CONSOLIDATED BALANCE SHEET

(IN THOUSANDS OF DOLLARS)

ASSETS

	MARCH 31 1982	MARCH 31 1981
CURRENT ASSETS		
Cash and short term deposits	$ 5,952	$ 7,637
Accounts receivable	44,168	36,863
Receivable from sale of trade marks (Note 2)	2,940	4,291
Mortgages receivable	1,475	–
Inventories (Note 3)	76,307	63,672
Prepaid expenses	4,401	5,036
Total current assets	135,243	117,499
PROPERTY, PLANT AND EQUIPMENT (NOTE 4)	292,016	270,743
Less accumulated depreciation and depletion	118,167	108,869
	173,849	161,874
OTHER ASSETS (NOTE 5)	32,585	38,125
	$341,677	$317,498

LIABILITIES AND SHAREHOLDERS' EQUITY

	1982	1981
CURRENT LIABILITIES		
Bank indebtedness and notes payable	$ 17,144	$ 11,387
Accounts payable and accrued liabilities	46,908	51,349
Income taxes	3,740	3,155
Other taxes	15,216	10,222
Dividends payable	1,599	1,603
Total current liabilities	84,607	77,716
LONG TERM LIABILITIES (NOTE 6)	12,437	16,341
DEFERRED INCOME TAXES	38,784	32,209
COMMITMENTS AND CONTINGENT LIABILITIES (NOTE 10)		
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)		
Preference shares	42,270	42,526
Common shares	78,357	78,357
	120,627	120,883
Retained earnings	85,222	70,349
Total shareholders' equity	205,849	191,232
	$341,677	$317,498

APPROVED BY THE BOARD:

ALASTAIR GILLESPIE, Director

LOUISE B. VAILLANCOURT, Director

CARLING O'KEEFE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(IN THOUSANDS OF DOLLARS)

	YEAR ENDED MARCH 31		
	1982	1981	1980
WORKING CAPITAL WAS INCREASED BY			
Earnings from operations before extraordinary item	$ 22,774	$ 19,785	$ 17,338
Depreciation, depletion and amortization	12,769	10,964	10,099
Deferred income taxes	6,575	4,965	2,824
Other items	1,253	(1,764)	800
Working capital from operations	43,371	33,950	31,061
Sale of trade marks less long term receivable $6,987 and deferred income taxes (Note 2)	–	2,613	–
Disposal of property, plant and equipment and other assets	1,908	2,219	1,029
Current portion of mortgages and long term receivables	4,376	3,085	6,885
Deferred revenue under gas contracts	35	715	–
Obligations under capital leases (net)	–	498	–
	49,690	43,080	38,975
WORKING CAPITAL WAS DECREASED BY			
Additions to property, plant and equipment	25,118	26,487	25,391
Purchase of shares in subsidiary company (Note 5)	–	2,993	–
Cost of National Hockey League franchise	–	–	6,937
Additions to other assets	1,977	3,178	937
Reduction of long term liabilities	3,585	3,510	2,325
Dividends			
Preference shares	2,046	2,062	2,077
Common shares	5,985	4,352	2,176
Purchase of preference shares	126	150	164
	38,837	42,732	40,007
INCREASE (DECREASE) IN WORKING CAPITAL	10,853	348	(1,032)
WORKING CAPITAL AT BEGINNING OF YEAR	39,783	39,435	40,467
WORKING CAPITAL AT END OF YEAR	$ 50,636	$ 39,783	$ 39,435

CARLING O'KEEFE LIMITED

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(IN THOUSANDS OF DOLLARS)

	YEAR ENDED MARCH 31		
	1982	1981	1980
Balance at beginning of year	$ 70,349	$ 46,378	$ 33,207
Earnings for the year	22,774	30,285	17,338
Excess of par value over cost of preference shares purchased for cancellation	130	100	86
	93,253	76,763	50,631
DIVIDENDS			
Preference $2.20 per Series A share and $2.65 per Series B share	2,046	2,062	2,077
Common	5,985	4,352	2,176
Balance at end of year	$ 85,222	$ 70,349	$ 46,378
Dividends per common share			
Regular	20¢	20¢	10¢
Special	7.5¢	–	–

CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL

(IN THOUSANDS OF DOLLARS)

	YEAR ENDED MARCH 31		
	1982	1981	1980
INCREASE (DECREASE) IN CURRENT ASSETS			
Cash and short term deposits	$ (1,685)	$ (1,218)	$ (72)
Accounts receivable	7,305	7,123	1,238
Receivable from sale of trade marks	(1,351)	4,291	–
Mortgages receivable	1,475	(6,885)	6,885
Inventories	12,635	8,815	4,798
Prepaid expenses	(635)	1,515	67
Total	17,744	13,641	12,916
(INCREASE) DECREASE IN CURRENT LIABILITIES			
Bank indebtedness and notes payable	(5,757)	(4,259)	(4,120)
Accounts payable and accrued liabilities	4,441	(7,458)	(8,995)
Income taxes	(585)	31	726
Other taxes	(4,994)	(1,066)	(1,562)
Dividends payable	4	(541)	3
Total	(6,891)	(13,293)	(13,948)
Increase (decrease) in working capital	$ 10,853	$ 348	$ (1,032)

CARLING O'KEEFE LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis in accordance with accounting principles generally accepted in Canada and conform in all material respects with international accounting standards and with those in the United States, except that in the United States the extraordinary item in 1981 would have been included in earnings from operations.

Principles of Consolidation

The principal operating subsidiaries are listed on Page 32. Purchase accounting has been followed for all acquisitions. For certain subsidiaries acquired prior to April 1, 1974, the excess of the cost of shares over the value of the underlying net tangible assets at the time of acquisition is carried at cost and is not amortized. Intangible assets acquired subsequently and sports franchises are amortized over periods not exceeding forty years.

Foreign Exchange

Foreign currency accounts are translated into Canadian dollars as follows: current accounts at exchange rates in effect at March 31; other balance sheet accounts and depreciation expense at historical rates of exchange; income and other costs at average rates of exchange during the year. The resulting exchange gains or losses are included in earnings.

Inventories

Inventories of beverage products, materials and supplies are stated at the lower of average cost and net realizable value. Containers are recorded at amortized cost which is lower than new replacement cost.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided on the straight line basis at the following rates per annum:

Buildings	2½%-6⅔%
Machinery and equipment	6⅔%-10%
Motor vehicles	10%-25%

Oil and gas assets are accounted for on the full cost method, whereby all costs of exploration and development are capitalized and amortized against income using the unit of production method based on proved oil and gas reserves.

Gains or losses on disposal of brewery, winery and significant oil and gas assets are included in earnings.

Other Assets

Other assets are recorded at cost or amortized cost. Deferred charges are primarily payments under employment and promotional rights contracts which are amortized over the life of the respective contracts.

Pensions

Current service costs are charged to operations as they accrue. Prior service costs arising from amendments to the plans and actuarial gains or losses are charged to operations over periods up to fifteen years.

Marketing Costs

Marketing costs, including those related to the introduction of new brands, are charged to operations during the year in relation to sales and are expensed by the end of the year in which the cost is incurred.

Investment Tax Credits

Net investment tax credits relating to capital expenditures are accounted for as a reduction of income tax expense in the year earned.

2. GAIN ON SALE OF TRADE MARKS

On July 16, 1980, the Corporation finalized the sale of the Carling Black Label and Red Cap trade marks for southern Africa effective March 31, 1980. The total consideration of Rand 14,500,000 is being received over a four year period subject to reduction should certain objectives not be achieved. In determining the gain on the sale of the trade marks the estimated receivable was reduced to its present value using an imputed interest rate of 20%. The resulting discount of $5,711,000 is being included in investment and other income over the four year period. The consideration has been treated as an eligible capital receipt for taxation purposes.

Analysis of gain on sale of trade marks

Estimated receivable			
Current, less unamortized discount of	$ 827,000		$ 6,313,000
Long term, less unamortized discount of $4,884,000			6,987,000
			13,300,000
Provision for income taxes			
Current		$ 3,700,000	
Deferred		(900,000)	2,800,000
Gain on sale of trade marks			$10,500,000

Amount still outstanding from sale of trade marks

As at March 31, 1982 the estimated receivable outstanding, net of provision for unrealized foreign exchange loss, was:

	Current	Long term
Receivable	$3,529,000	$2,684,000
Unamortized discount	589,000	899,000
Net receivable	$2,940,000	$1,785,000

3. INVENTORIES

	1982	1981
Beverage products, finished and in process	$45,031,000	$37,668,000
Materials and supplies	15,497,000	13,033,000
Containers	15,779,000	12,971,000
	$76,307,000	$63,672,000

4. PROPERTY, PLANT AND EQUIPMENT

	1982		1981	
	Cost	Accumulated depreciation and depletion	Cost	Accumulated depreciation and depletion
Land	$ 6,895,000	$ —	$ 6,785,000	$ —
Buildings	75,742,000	26,693,000	70,754,000	25,510,000
Machinery and equipment	117,263,000	67,001,000	110,016,000	63,311,000
Motor vehicles	15,640,000	8,037,000	14,356,000	7,399,000
Oil and gas assets	73,331,000	15,131,000	66,414,000	11,576,000
Leasehold improvements	3,145,000	1,305,000	2,418,000	1,073,000
	$292,016,000	$118,167,000	$270,743,000	$108,869,000

5. OTHER ASSETS

	1982	1981
Sports franchises, less amortization $979,000 (1981–$648,000)	$12,265,000	$12,356,000
Mortgages and long term receivables	1,870,000	6,517,000
Deferred charges and other investments	5,729,000	6,467,000
Cost of shares of subsidiaries in excess of underlying net tangible asset values at acquisition, less amortization $215,000 (1981–$151,000)	12,721,000	12,785,000
	$32,585,000	$38,125,000

Under the terms of the 1972 acquisition agreement, effective March 31, 1981 the Corporation acquired for $2,993,000 cash the shares owned by the minority shareholders of Jordan Valley Wines Limited. The transaction increased the cost of shares of subsidiaries in excess of underlying net tangible asset values at acquisition by $1,015,000.

6. LONG TERM LIABILITIES

	1982	1981
Sinking fund debentures		
Series C 5% due January 15, 1983	$ 600,000	$ 1,200,000
Series D 5½% due April 1, 1986	3,200,000	3,467,000
Series E 5½% due April 1, 1989	4,918,000	6,046,000
Term bank loan, due March 31, 1985	4,400,000	5,800,000
Obligations under capital leases	483,000	592,000
	13,601,000	17,105,000
Less amount included in current liabilities	2,895,000	2,361,000
	10,706,000	14,744,000
Unfunded pensions (see Note 7)	981,000	882,000
Deferred revenue under gas contracts	750,000	715,000
	$12,437,000	$16,341,000

The term bank loan of $4,400,000 bears interest at ½% over the bank's prime rate and is repayable in varying instalments up to March 31, 1985.

Obligations under capital leases are disclosed in Note 10.

Principal payments on long term debt for the years 1983 through 1987 are as follows: 1983–$2,895,000; 1984–$2,927,000; 1985–$2,862,000; 1986–$1,917,000; 1987–$1,000,000.

7. PENSIONS

The Corporation and its subsidiaries maintain a number of pension plans covering substantially all employees and generally it is the Corporation's policy to fund pensions with independent trustees in accordance with legal requirements. Certain supplementary pensions are unfunded and charged to operations when paid. Based on recent independent actuarial valuations, unfunded prior service costs are estimated at $11,700,000 of which $981,000 is vested and has been accrued. The unrecorded unfunded amounts are being charged to operations over periods up to fifteen years as described in Note 1. Total pension expense for the year ended March 31, 1982 was $6,937,000 (1981–$6,343,000; 1980–$6,488,000).

8. CAPITAL STOCK

	1982	1981
Authorized		
845,407 preference shares with a par value of $50 each, issuable in series		
30,001,260 common shares without par value		
Issued		
433,745 $2.20 cumulative redeemable preference shares, Series A	$21,687,000	$21,687,000
411,662 $2.65 cumulative redeemable preference shares, Series B (1981–416,787)	20,583,000	20,839,000
	$42,270,000	$42,526,000
21,762,295 common shares	$78,357,000	$78,357,000

The Series A and B preference shares are redeemable at the option of the Corporation at $53.00 and $52.50 per share respectively. During the year ended March 31, 1982, 5,125 Series B shares were purchased on the open market for cancellation (1981–5,000; 1980–5,000).

Rothmans Investments Limited, a wholly owned subsidiary of Rothmans of Pall Mall Canada Limited, is the owner of record of 50.1% of the Corporation's common shares.

9. INCOME TAXES

The difference between a basic income tax rate and the effective income tax rate based on income tax legislation is accounted for as follows:

	1982	1981	1980
Basic rate	50%	50%	50%
Income taxes at basic rate	$18,867,000	$16,211,000	$14,610,000
Incentives	(2,626,000)	(2,560,000)	(2,230,000)
Alberta royalty tax credit	(2,063,000)	(755,000)	(627,000)
Rate difference on Irish earnings	(528,000)	(810,000)	(977,000)
Foreign exchange	1,456,000	603,000	206,000
Other–net	(146,000)	(53,000)	899,000
Income taxes–consolidated statement of earnings	$14,960,000	$12,636,000	$11,881,000
Effective income tax rate	40%	39%	40%

Incentives include resource and depletion allowances net of royalties, inventory allowances, manufacturing and processing credits and investment tax credits.

Deferred income taxes primarily reflect timing differences between accounting and tax depreciation.

10. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments under operating lease obligations relate to sports facilities, warehouses, retail stores and offices. Containers and equipment leased under capital leases are included in their respective asset categories and are depreciated accordingly. The following table summarizes the minimum rental payments due after March 31, 1982.

Year ending March 31	Capital leases	Operating leases	Total
1983	$ 146,000	$ 3,392,000	$ 3,538,000
1984	170,000	2,906,000	3,076,000
1985	170,000	2,446,000	2,616,000
1986	128,000	2,317,000	2,445,000
1987	–	1,874,000	1,874,000
Thereafter to 1999	–	6,258,000	6,258,000
Total minimum rental payments	614,000	$19,193,000	$19,807,000
Less imputed interest	131,000		
Obligation under capital leases	$ 483,000		

Capital expenditures for 1983 are expected to aggregate $55,000,000.

Under an agreement with The United Breweries Ltd. of Copenhagen, Denmark, the Corporation and its affiliates have the exclusive right to manufacture and sell brewery products under the Carlsberg and Tuborg trade marks in Canada and the Republic of Ireland. Royalties are payable based on total sales of all brewery products at rates varying with the volumes and selling prices of the products. The agreement is cancellable on twenty years' notice or earlier if certain specified conditions are not fulfilled.

Le Club de Hockey Les Nordiques 1979, Société en Commandite (Club) holds a National Hockey League (NHL) franchise for Quebec City acquired for a cost of $6,937,000. The Club and the other teams which were granted franchises in 1979 were required to indemnify the NHL and its member teams from all claims arising from the 1979 expansion and granted a security interest in their respective assets in favour of the NHL and its member teams to secure this commitment.

There are a number of outstanding claims and legal actions involving the Corporation. In the opinion of counsel, the outcome of these matters should have no material effect on the Corporation's financial position.

11. OIL AND GAS OPERATIONS

The following information relating to the Corporation's oil and gas producing activities is presented in compliance with the disclosure requirements of the United States Securities and Exchange Commission.

The aggregate capitalized cost and accumulated depletion related to oil and gas properties, of which approximately 90% were located in Canada as at March 31, 1982, were:

	1982	1981	1980
Proved and unproved properties	$73,331,000	$66,414,000	$57,674,000
Less accumulated depletion	15,131,000	11,576,000	9,248,000
	$58,200,000	$54,838,000	$48,426,000
Costs incurred in oil and gas activities			
Capitalized			
Property acquisition costs	$ 1,878,000	$ 2,094,000	$ 2,110,000
Exploration costs	2,806,000	2,376,000	3,746,000
Development costs	2,233,000	4,294,000	6,071,000
	$ 6,917,000	$ 8,764,000	$11,927,000
Expensed			
Production costs	$ 3,922,000	$ 3,476,000	$ 2,282,000
Depletion expenses	3,488,000	2,328,000	2,001,000
	$ 7,410,000	$ 5,804,000	$ 4,283,000
Revenues from oil and gas properties, net of royalties and production costs	$ 8,367,000	$ 8,662,000	$ 7,358,000

12. OTHER

The information on continuing operations by segment is presented on Page 25.

Price Waterhouse
CHARTERED ACCOUNTANTS

Box 51 Toronto-Dominion Centre
Toronto, Ont. M5K 1G1
(416) 863-1133 Telex 02-2246

May 20, 1982

Auditors' Report

TO THE SHAREHOLDERS OF CARLING O'KEEFE LIMITED:

We have examined the consolidated balance sheet of Carling O'Keefe Limited as at March 31, 1982 and 1981 and the consolidated statements of earnings, changes in financial position, retained earnings and changes in working capital for each of the three years in the period ended March 31, 1982. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the results of operations, changes in financial position and changes in working capital of the Corporation for each of the three years in the period ended March 31, 1982 and its financial position as at March 31, 1982 and 1981, in accordance with generally accepted accounting principles consistently applied.

Price Waterhouse
Chartered Accountants

LINES OF BUSINESS

Carling O'Keefe Limited, through its subsidiaries, manufactures and sells brewery and wine products in Canada and brewery products in Ireland. It also owns a producing oil and gas company which operates in Canada and the United States. All subsidiaries are wholly owned.

Carling O'Keefe Breweries of Canada Limited is one of three major brewing companies who together account for approximately 97% of all Canadian beer sales. The company has 3,100 employees and operates seven breweries in Canada, with one plant in each of the Provinces of Newfoundland, Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia, having an annual production capacity of approximately 5,700,000 hectolitres. Beer is distributed by the brewers directly to retail outlets, except in the Province of Quebec where the company has a distribution system consisting of independent distributors and company branches. In the Provinces of Ontario, Manitoba, Saskatchewan, Alberta and British Columbia, the company, together with other Canadian brewers, jointly own companies for the distribution of their products and pay their respective share of operating costs based on market share. Principal brands are O'Keefe Ale, Old Vienna, The Carlsberg Family, O'Keefe Extra Old Stock, Carling Black Label, Colt 45 and Trilight. The company owns Le Club de Hockey Les Nordiques, which operates the National Hockey League team in Quebec City and the American Hockey League team in Fredericton, and the Argonaut Football Club, which operates the Canadian Football League team in Toronto.

Jordan Valley Wines Limited sells in all Provinces and Territories of Canada, has 300 employees and operates three wineries with a combined storage capacity of approximately 478,000 hectolitres. One winery is located in each of the Provinces of Ontario, Alberta and British Columbia. With the exception of sales through 28 company-operated retail stores in Ontario, all sales are made through outlets operated by Provincial Liquor Boards. The company uses two trading styles, Jordan and Ste-Michelle.

Star Oil & Gas Ltd. is engaged in the exploration for and the development and production of oil and gas in Canada and the United States and has 18 employees. The estimated proved developed and undeveloped gross crude oil and natural gas liquids and natural gas reserves before royalties at March 31, 1982 were 856,000 cubic metres and 5,228,000,000 cubic metres respectively. These are primarily located in the Provinces of Alberta and Saskatchewan.

Beamish & Crawford Limited has 350 employees and operates a brewery in Cork, Republic of Ireland, with an annual production capacity of 290,000 hectolitres. The Irish market is dominated by one major brewer who accounts for approximately 90% of the total industry, with the remaining market shared by Beamish & Crawford Limited and one other brewer. Beer is distributed either through independent distributors or directly to retail outlets. Principal brands are Carling Black Label, Carlsberg and Bass.

Other income is derived from investments and from royalties under a licensing arrangement for the production and sale of Carling Black Label. Certain trade marks in southern Africa were sold effective March 31, 1980, and the resulting portion of the discount on the receivable is included in investment income.

The Corporation is deemed to be foreign controlled under the Foreign Investment Review Act. Accordingly, any acquisitions the Corporation may wish to make in Canada must receive governmental approval and the Corporation is not eligible for any of the oil and gas incentives proposed under the National Energy Program of the Government of Canada.

FIVE YEAR FINANCIAL SUMMARY
INFORMATION ON CONTINUING OPERATIONS BY SEGMENT
(IN THOUSANDS OF DOLLARS)

	1982	1981	1980	1979	1978
SALES REVENUE					
Beer–Canada	$535,329	$435,721	$393,281	$329,074	$317,322
–Ireland	47,952	45,468	39,265	31,519	25,123
Wine	48,563	44,021	35,873	33,525	31,904
Oil and gas	12,289	12,138	9,640	7,155	6,798
Consolidated	$644,133	$537,348	$478,059	$401,273	$381,147
EARNINGS FROM OPERATIONS					
Beer–Canada	$ 33,458	$ 23,078	$ 20,834	$ 12,952	$ 12,627
–Ireland–Operations	2,094	2,460	2,072	1,776	906
–Foreign exchange	(1,432)	(1,207)	(412)	758	678
Wine	3,949	1,512	1,434	2,166	2,383
Oil and gas	3,907	5,729	4,720	3,816	4,179
	41,976	31,572	28,648	21,468	20,773
Corporate income–net	–	3,947	3,210	3,221	1,761
Interest expense	(4,242)	(3,098)	(2,639)	(2,004)	(2,755)
Income taxes	(14,960)	(12,636)	(11,881)	(9,073)	(7,970)
Consolidated	$ 22,774	$ 19,785	$ 17,338	$ 13,612	$ 11,809
IDENTIFIABLE ASSETS					
Beer–Canada	$186,379	$165,752	$141,801	$125,701	$120,679
–Ireland	23,988	21,875	20,052	16,906	15,251
Wine	55,867	52,801	52,681	52,963	51,046
Oil and gas	63,513	58,967	51,993	42,227	28,015
	329,747	299,395	266,527	237,797	214,991
Corporate	11,930	18,103	14,306	15,034	22,933
Consolidated	$341,677	$317,498	$280,833	$252,831	$237,924
CAPITAL EXPENDITURES					
Beer–Canada	$ 14,547	$ 14,714	$ 9,857	$ 9,262	$ 11,787
–Ireland	980	923	1,611	493	164
Wine	2,619	2,050	1,970	2,305	4,329
Oil and gas	6,972	8,800	11,953	14,473	6,494
Consolidated	$ 25,118	$ 26,487	$ 25,391	$ 26,533	$ 22,774
DEPRECIATION AND DEPLETION					
Beer–Canada	$ 7,106	$ 6,621	$ 6,190	$ 5,831	$ 5,780
–Ireland	539	473	471	510	554
Wine	1,194	1,144	1,040	954	941
Oil and gas	3,535	2,367	2,040	1,614	1,160
Consolidated	$ 12,374	$ 10,605	$ 9,741	$ 8,909	$ 8,435

Earnings by segment represent total sales revenue less all operating expenses other than corporate costs, interest and income taxes. Identifiable assets are those that are used in the Corporation's operations in each industry. Corporate assets comprise cash, short term deposits, receivable from sale of trade marks and mortgages receivable.

FIVE YEAR FINANCIAL SUMMARY

(UNAUDITED)
(IN THOUSANDS OF DOLLARS)

	1982	1981	1980	1979	1978
EARNINGS					
Earnings from continuing operations	$ 22,774	$ 19,785	$ 17,338	$ 13,612	$ 11,809
Loss from discontinued operations	–	–	–	–	(10,157)
Earnings before extraordinary items	22,774	19,785	17,338	13,612	1,652
Extraordinary items					
Continuing operations	–	10,500	–	322	1,882
Discontinued operations	–	–	–	–	(12,093)
Net earnings (loss)	$ 22,774	$ 30,285	$ 17,338	$ 13,934	$ (8,559)
Dividends–preference	$ 2,046	$ 2,062	$ 2,077	$ 2,091	$ 2,107
–common	$ 5,985	$ 4,352	$ 2,176	$ 1,088	$ –
Net earnings (loss) per common share					
From continuing operations	95¢	82¢	70¢	53¢	45 ¢
Before extraordinary items	95¢	82¢	70¢	53¢	(2)¢
After extraordinary items	95¢	$1.30	70¢	54¢	(49)¢
Dividends per common share					
Regular	20¢	20¢	10¢	5¢	–
Special	7.5¢	–	–	–	–
BALANCE SHEET					
Current assets	$135,243	$117,499	$103,858	$ 90,942	$ 94,937
Current liabilities	84,607	77,716	64,423	50,475	45,498
Working capital	50,636	39,783	39,435	40,467	49,439
Property, plant and equipment–net	173,849	161,874	147,847	132,736	117,635
Other assets	32,585	38,125	29,128	29,153	25,352
Net assets	257,070	239,782	216,410	202,356	192,426
Long term debt	10,706	14,744	18,195	20,622	24,592
Other long term obligations	40,515	33,806	30,704	27,144	23,826
Preference shares	42,270	42,526	42,776	43,026	43,283
Common shares and retained earnings	$163,579	$148,706	$124,735	$111,564	$100,725
Current ratio	1.6	1.5	1.6	1.8	2.1
Debt to equity	5:95	7:93	10:90	12:88	15:85
Interest coverage	9.9	11.6	12.1	12.3	8.2
Return on shareholders' equity	11.1%	15.8%	10.3%	9.0%	(5.9)%
Return on capital employed	12.0%	11.0%	10.0%	8.9%	8.4%
Book value per common share	$7.52	$6.83	$5.73	$5.13	$4.63

Return on capital employed represents earnings from continuing operations excluding deferred income taxes and after tax interest expense divided by average capital employed. Capital employed is the average of the opening and closing balances of shareholders' equity (net of discontinued operations), interest bearing debt and other long term obligations.

QUARTERLY FINANCIAL DATA

(UNAUDITED)
(IN THOUSANDS OF DOLLARS)

	Quarter Ended			
1982	**June 30**	**Sept. 30**	**Dec. 31**	**Mar. 31**
Sales revenue	$159,109	$181,260	$168,276	$135,488
Gross profit (1)	$ 54,668	$ 63,492	$ 56,903	$ 41,517
Net earnings	$ 4,107	$ 8,921	$ 7,794	$ 1,952
Net earnings per common share	16.5¢	38.7¢	33.4¢	6.6¢
1981				
Sales revenue	$145,669	$140,308	$140,343	$111,028
Gross profit (1)	$ 50,043	$ 46,332	$ 47,675	$ 39,090
Earnings before extraordinary item	$ 6,147	$ 5,179	$ 6,227	$ 2,232
Extraordinary item	10,500	–	–	–
Net earnings	$ 16,647	$ 5,179	$ 6,227	$ 2,232
Net earnings per common share				
Before extraordinary item	25.9¢	21.4¢	26.3¢	7.9¢
After extraordinary item	74.1¢	21.4¢	26.3¢	7.9¢

(1) Sales revenue less production and sales taxes and raw materials and manufacturing costs.

SUPPLEMENTARY OIL AND GAS INFORMATION

(UNAUDITED)

The following information is required by the Securities and Exchange Commission (SEC) of the United States for oil and gas producing activities.

The Corporation has endeavoured to provide meaningful and accurate information in accordance with the SEC Regulations. However, the Corporation cautions against the use of the estimated future net revenues, the estimated present value of future net revenues and the Reserve Recognition Accounting (RRA) data for any particular year, for comparison to other corporations or in evaluating the value of the oil and gas operations or the effectiveness of the exploration effort during any particular year. Estimated future net revenues are based on many assumptions, including reserve quantities, production rates and timing of future production from presently shut-in reserves. It should be borne in mind that the estimates and RRA exclude probable reserves and land holdings. RRA results are not comparable to an historical financial statement.

Geographic segmentation is not shown separately, as more than 90% of the estimated reserves are located in Canada, primarily in Alberta and Saskatchewan.

METRIC CONVERSION

The Canadian petroleum industry utilizes the metric system. The following conversion factors are given to convert metric terms to the Imperial system of units:

TO CONVERT FROM		TO	MULTIPLY BY	
Cubic metres	(m^3)	Barrels	(bbl)	6.3
Thousands of cubic metres	(10^3m^3)	Thousands of cubic feet	(mcf)	35.5
Hectares	(ha)	Acres	(ac)	2.5

ESTIMATED NET QUANTITIES OF PROVED RESERVES OF OIL (INCLUDING NATURAL GAS LIQUIDS) AND NATURAL GAS

The movement in estimated proved developed and undeveloped reserves before the deduction of royalties for natural gas and oil, which includes natural gas liquids, was as follows:

	1982		1981		1980	
	NATURAL GAS (10^6m^3)	OIL (10^3m^3)	NATURAL GAS (10^6m^3)	OIL (10^3m^3)	NATURAL GAS (10^6m^3)	OIL (10^3m^3)
Proved developed and undeveloped reserves at April 1	5,143	932	5,155	979	5,305	1,012
Additions	189	18	127	35	421	72
Revisions of estimates	35	(30)	–	–	(430)	(23)
Production	(139)	(64)	(139)	(82)	(141)	(82)
Proved developed and undeveloped reserves at March 31	5,228	856	5,143	932	5,155	979
Proved developed reserves at March 31	3,144	856	3,059	932	3,071	979
Reserves net of estimated royalties as at March 31						
Proved developed	2,295	695	2,252	759	2,262	784
Proved undeveloped	1,915	–	1,886	–	1,886	–
Total	4,210	695	4,138	759	4,148	784

The geographical location of the proved reserve quantities as at March 31, 1982 was:

	Oil	Natural Gas	
	Developed	Developed	Undeveloped
Alberta	56%	71%	–
British Columbia	–	10	–
Saskatchewan	43	17	100%
United States	1	2	–
	100%	100%	100%

Estimates of proved developed reserves were prepared by independent evaluators and are deemed to be those reserves which to a high degree of certainty are considered to be recoverable at commercial rates under present production methods and current operating conditions, prices and costs. Estimates of proved undeveloped reserves include only those reserves which are expected to be recovered on undrilled lands from new wells which are virtually certain of production when drilled. Proved developed and undeveloped reserves do not include additional reserves which may be found by extensions of presently proved reservoirs or by new discoveries on presently held properties.

ESTIMATED FUTURE NET REVENUES

The company's estimated future net revenues (sales less royalties, production expenses, petroleum and gas revenue tax and development expenditures) are presented below. The estimated future net revenues are included at price levels in effect at March 31, 1982, with no provision for future price increases or inflation. Future income taxes payable have not been deducted in computing estimated future net revenues.

Years ending March 31	Proved Developed Reserves
	(in thousands of dollars)
1983	$ 9,057
1984	10,326
1985	9,917
Remaining years	136,436
Total estimated future net revenues before income taxes	$165,736
Present value of future net revenues before income taxes discounted at 10%	
March 31, 1982	$ 74,812
March 31, 1981	$ 66,192
March 31, 1980	$ 66,779

The estimated present value of future net revenues using SEC procedures is not designed to yield a fair market value of the company's oil and gas reserves. This procedure does not take into account the following:

a) The potential future recoveries of "probable" oil and gas reserves.
b) The value of the company's unproved land holdings.
c) Future increases of oil and gas prices and inflation on related production and development costs.
d) Changes in royalty rates.
e) Income taxes on estimated future net revenues.
f) A discount factor that bears a closer relationship to present interest rates.

The total estimated future net revenues before income taxes of undeveloped reserves are estimated to be minimal and are, therefore, not presented separately.

SUMMARY OF CHANGES IN PRESENT VALUE OF ESTIMATED FUTURE NET REVENUES AND RESERVE RECOGNITION ACCOUNTING (RRA)

The following table shows a reconciliation of the pre-tax present value of proved developed and undeveloped reserves at the beginning and the end of each year under the column headed "Net present value of proved reserves". The column headed "Results of oil and gas production activity" shows the company's after-tax results for the year on the basis of RRA.

RRA departs significantly from historical accounting practices. Under RRA, a dollar valuation of proved reserves is computed as described in "Estimated future net revenues" and earnings are recognized when proved reserves are discovered or the valuation of proved reserves changes, not when production is sold.

		NET PRESENT VALUE OF PROVED RESERVES			RESULTS OF OIL AND GAS PRODUCTION ACTIVITY		
		1982	1981	1980	1982	1981	1980
		(IN THOUSANDS OF DOLLARS)					
Additions to estimated proved reserves, net of present value of estimated future development and production costs	(a)	$ 6,411	$ 2,257	$ 9,936	$ 6,411	$ 2,257	$ 9,936
Revisions of prior years' estimates							
Changes in reserves	(b)	(1,696)	–	(5,211)	(1,696)	–	(5,211)
Changes in prices	(c)	15,504	8,915	11,663	15,504	8,915	11,663
Interest factor	(d)	6,619	6,678	5,135	6,619	6,678	5,135
Petroleum and gas revenue tax	(e)	(6,007)	(9,719)	–	(6,007)	(9,719)	–
Other	(f)	(3,844)	(56)	1,261	(3,844)	(56)	1,261
		16,987	8,075	22,784	16,987	8,075	22,784
Costs incurred					(7,935)	(9,329)	(12,526)
Net sales of oil and gas (after production costs)		(8,367)	(8,662)	(7,358)			
Change or amount before income taxes		8,620	(587)	15,426	9,052	(1,254)	10,258
Provision for income taxes	(g)				(600)	3,500	2,300
Net change or net amount		8,620	(587)	15,426	$ 9,652	$ (4,754)	$ 7,958
Balance, beginning of year		66,192	66,779	51,353			
Balance, end of year		$74,812	$66,192	$66,779			
Earnings from operations before income taxes for oil and gas activities on the basis reported in the segmented information of the primary (historical cost) financial statements					$ 3,907	$ 5,729	$ 4,720

NOTES

(a) Additions to estimated proved reserves from current exploration and development activities are computed by applying current prices to estimated future production net of estimated future production and development costs, discounted at 10%.

(b) Changes in reserves represent the approximate effect of revising the estimated present value of future net revenues from reserves at the beginning of the year due to revisions in the estimated quantities of proved oil and gas reserves.

(c) Changes in prices represent the approximate effect of increases in oil and gas prices and royalties from one year to the next, net of current year escalations in future production and development costs.

(d) Interest factor is the recognition of one year's discount on the opening estimated present value of proved oil and gas reserves.

(e) The petroleum and gas revenue taxes (PGRT) introduced by the Government of Canada effective January 1, 1981 and increased January 1, 1982, reduced the value of the company's reserves by an estimated $6,007,000 in 1982 ($9,719,000 in 1981).

(f) Other includes revisions to the timing of future production volumes.

(g) Income taxes were provided for by applying the current statutory tax rate to the estimated future taxable income to be generated from production of proved reserves (including appropriate adjustments for non-deductible expenses and remaining current tax deductions relating to the cost of oil and gas properties) as of the end of the year, and deducting the similarly computed amounts as of the beginning of the year. To this amount was added the current tax provision for oil and gas production activities during the year.

MARKET PRICE OF SHARES AND RELATED SECURITY HOLDER MATTERS

The common stock trades on the Toronto, Montreal, Vancouver, New York and Amsterdam exchanges, using the symbol CKB. For Canadian income tax purposes, the valuation day (December 22, 1971) value was $7.50. There were 21,644 Shareholders of record as at March 31, 1982.

The $2.20 Series A and $2.65 Series B preference shares are traded on The Toronto Stock Exchange. For Canadian income tax purposes, the valuation day (December 22, 1971) value was $32.00 and $36.50 respectively. There were 2,060 and 1,249 Shareholders of record respectively as at March 31, 1982.

	1982				1981			
	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER
COMMON								
Toronto Stock Exchange								
High	$ 7.12	$ 6.12	$ 7.75	$ 8.75	$ 9.50	$11.75	$12.50	$10.12
Low	5.12	4.65	4.60	7.37	7.50	8.50	8.62	6.37
New York Stock Exchange (United States currency)								
High	$ 5.75	$ 5.25	$ 6.50	$ 7.37	$ 7.87	$10.25	$10.87	$ 8.75
Low	4.25	3.75	3.87	6.12	6.12	6.87	7.50	5.25
Dividends paid per common share								
Regular	5.0¢	5.0¢	5.0¢	5.0¢	5.0¢	5.0¢	5.0¢	5.0¢
Special	–	–	7.5¢	–	–	–	–	–
PREFERENCE								
Toronto Stock Exchange								
Series A								
High	$16.12	$19.37	$19.50	$21.00	$22.00	$22.50	$23.50	$25.25
Low	14.75	14.50	16.00	19.00	20.25	20.00	22.00	21.00
Series B								
High	$21.00	$23.00	$23.62	$25.00	$25.62	$27.00	$30.12	$30.00
Low	17.87	18.00	18.00	23.62	23.50	23.00	26.25	24.50

There are no restrictions on the export or import of capital which affect the remittance of dividends, interest or other payments to non-resident holders of the Corporation's securities.

The Foreign Investment Review Act requires the prior approval by the Government of Canada of the acquisition by, or transfer to, non-eligible persons, of direct or indirect control of a Canadian business entity. The Act does not apply to the purchase of shares or securities of a corporation where such purchases would not give the purchasers control of the corporation. Withholding taxes at the rate of 25% are imposed on the payment of dividends and interest to non-residents of Canada. Under certain tax treaties, including the Canada/United States tax treaty, such rate is reduced from 25% to 15%. Capital gains on disposals are not taxable in Canada, if the United States security holder has no permanent establishment in Canada.

FORM 10-K

Carling O'Keefe Limited common shares are traded on The New York Stock Exchange and the Corporation, therefore, files an annual report on Form 10-K with The Securities and Exchange Commission in Washington, D.C. Shareholders may obtain a copy of this report by writing to the Vice President Legal and Secretary of the Corporation.

VERSION FRANÇAISE

Si vous désirez un examplaire de la version française du présent rapport, veuillez en faire la demande par écrit au:

Vice-président Affaires juridique et secrétaire général
Carling O'Keefe Limitée
79 St. Clair Avenue East, Toronto,
Canada M4T 1M6

CARLING O'KEEFE LIMITED

PRINCIPAL OPERATING SUBSIDIARY COMPANIES

CANADA
Carling O'Keefe Breweries of Canada Limited
La Brasserie O'Keefe Inc.
Jordan Valley Wines Limited
Star Oil & Gas Ltd.

REPUBLIC OF IRELAND
Beamish & Crawford Limited

CHIEF EXECUTIVE OFFICERS OF PRINCIPAL OPERATING SUBSIDIARIES

S. RODERICK McINNES
Carling O'Keefe Breweries of Canada Limited

RONALD COREY
La Brasserie O'Keefe Inc.

DONALD H. TWINER
Jordan Valley Wines Limited

RALPH A. ESTELLE
Star Oil & Gas Ltd.

R. ANTHONY HALPIN
Beamish & Crawford Limited

EXECUTIVE OFFICES

79 St. Clair Avenue East
Toronto, Canada M4T 1M6

AUDITORS

Price Waterhouse

BANKERS

Bank of Montreal
The Royal Bank of Canada
Chemical Bank–New York

REGISTRARS IN CANADA

Montreal Trust Company

REGISTRARS IN THE UNITED STATES

Morgan Guaranty Trust Company of New York

SOLICITORS

Smith, Lyons, Torrance, Stevenson and Mayer

TRANSFER AGENTS IN CANADA

National Trust Company, Limited
Ontario, Quebec, Manitoba, Alberta and British Columbia

Canada Permanent Trust Company
New Brunswick and Nova Scotia

The Canada Trust Company
Saskatchewan

TRANSFER AGENTS IN THE UNITED STATES

The Chase Manhattan Bank

DIRECTORS

RALPH L. BEATTY, C.A.
Executive Vice President Finance
Carling O'Keefe Limited, Toronto, Ontario

CONRAD M. BLACK, LL.L., M.A.
Chairman of the Board and
Chairman of the Executive Committee
Argus Corporation Limited, Toronto, Ontario

JOHN P. U. BURR, M.B.E.
Director, Bass Public Limited Company, London, England

JOHN H. DEVLIN
Chairman of the Board
Rothmans of Pall Mall Canada Limited
Toronto, Ontario

THE HONOURABLE ALASTAIR GILLESPIE, P.C., M.A., M.Com.†
Chairman of the Board
Carling O'Keefe Limited, Toronto, Ontario

JOHN C. LOCKWOOD†*
Company Director, Toronto, Ontario

I. LOYOLA MATTE
Company Director, Montreal, Quebec

S. RODERICK McINNES, C.A.†
President & Chief Executive Officer
Carling O'Keefe Limited, Toronto, Ontario

SIR DAVID NICOLSON, F.Eng., M.E.P.
Chairman of the Board
Rothmans International p.l.c., London, England

GEORGE C. SOLOMON, LL.D.*
President, Western Limited, Regina, Saskatchewan

POUL J. SVANHOLM
President & Chief Executive Officer
The United Breweries Ltd., Copenhagen, Denmark

LOUISE B. VAILLANCOURT*
Company Director, Outremont, Quebec

OFFICERS

ALASTAIR GILLESPIE
Chairman of the Board

S. RODERICK McINNES
President & Chief Executive Officer

RALPH L. BEATTY
Executive Vice President Finance

J. ANTHONY GAUNTLEY, M.C.
Vice President International

PETER JOHN YOUNG
Vice President Legal & Secretary

ALAN M. HODGE
Treasurer

CAROL A. MUNRO
Assistant Secretary

†Member of the Pension and Compensation Committee of the Board
*Member of the Audit Committee of the Board

PRINTED IN CANADA


CARLING O'KEEFE LIMITED ANNUAL REPORT 1982